

Audit Committee – 15 April 2013

Protecting the Public Purse & Anti Fraud & Corruption Arrangements

Summary of report:

This report presents a summary of the Audit Commission's 'Protecting the Public Purse' November 2012 publication and an update on the council's anti fraud and corruption arrangements.

Background papers:

The Audit Commission's Protecting the Public Purse November 2012 publication.

Recommendation:

1. To note the contents of the report.



James Walsh
Chief Finance Officer
27 March 2013

Background:

The Audit Commission's produce their 'Protecting the Public Purse' publication annually. The purpose of the publication is to share information to enable council's to develop focused plans and strategies for tackling fraud; and target resources on areas where prevention and detection can have the most impact.

'Protecting the Public Purse' includes the results of the Audit Commission's annual fraud survey, which is the sole source of evidence about the levels of detected fraud in local government and related bodies. The survey results and 'Protecting the Public Purse' publications focus on local government and can help councils and other local public bodies by providing the data and information they need to tackle fraud effectively.

The reports are designed to help councillors and senior officers responsible for governance in councils and local public bodies, and particularly members of audit committees. The reports are also relevant to the work of government departments, other national organisations and counter-fraud specialists.

Resource and legal considerations:

It is important that effective systems of internal control are in place for the prevention of fraud and corruption. Where fraud or corruption is detected, robust action will always be

taken against the perpetrators. There is provision within the approved internal audit plan to undertake irregularity work reported to the service.

Governance Issues / Citizen impact:

Internal audit and the benefit investigation team work to ensure that effective systems of internal control are in place, including those in relation to the introduction of new, or revisions to existing, systems/processes and for the prompt and vigorous investigation of potential irregularities reported to the services. This demonstrates the serious manner in which the council takes its responsibilities in ensuring effective control arrangements are in place and in dealing with reported allegations of fraud and corruption. This also offers protection to the council and its officers and provides an assurance to stakeholders and citizens regarding the security of the council's operations.

Performance and risk management issues:

Many audit committee activities are an important and integral part of the council's performance management and corporate governance frameworks. The internal audit strategic plan is risk assessed to ensure that areas most at risk are examined as a priority and includes an allocation of time to undertake unplanned irregularity and consultancy work.

Irregularities may be noted during regularity audit reviews or be reported from a number of sources, including council managers, employees, occasionally via the Confidential Reporting Policy (whistle blowing), and externally. Irrespective of how the allegations are reported, however, each will be subject to investigation. Some result in little investigatory time having to be spent, others can take much longer. Relevant action, where found to be appropriate, will always be taken, i.e. disciplinary, court proceedings, police referral and recovery of losses.

Equality Implications:

None arising from this report.

Consultation:

The proposed annual audit work plan is discussed with relevant senior managers before the start of the financial year and includes an allocation for unplanned irregularity/consultancy work.

Protecting the Public Purse 2012

Summary of the Audit Commission's 'Protecting the Public Purse' 2012 publication:

Fraud is a significant problem. It affects everyone in the UK. In 2012, the National Fraud Authority (NFA) estimated that:

- each year public, private and third sector organisations, as well as individuals, lose over £73 billion to fraud;
- fraud costs every adult in the country about £1,460 a year; and
- fraud against public sector organisations costs £20.3 billion, with fraud against local government costing more than £2.2 billion a year.

Local government bodies are targeting their investigative resources more efficiently and effectively. The Audit Commission's latest survey of fraud against local government bodies showed that in 2011/12:

- more than 124,000 cases of fraud were detected, with a value of £179 million;
- the number and value of detected fraud cases are broadly similar to the figures reported last year (November 2011), with only a 2 to 3 % variation;
- housing and council tax benefit frauds accounted for more than half of the total fraud losses detected, to a value of £117 million;
- nearly £21 million of false claims for council tax discounts were detected; and
- 187 cases of procurement fraud amounting to more than £8 million were detected.

Tenancy fraud accounts for the largest losses from fraud in local government. The Audit Commission's research showed:

- an estimated 98,000 social housing homes in England are subject to housing tenancy fraud;
- councils recovered nearly 1,800 homes from tenancy fraudsters last year, with a total replacement value of nearly £264 million;
- most detected tenancy fraud (69 per cent) is in London, even though the capital accounts for only 27 per cent of all council housing in England; but
- councils outside London increased tenancy fraud detection by more than a quarter, reflecting their increasing commitment to tackle this fraud.

Council's counter-fraud professionals recognise that more needs to be done to tackle emerging risks, including those relating to:

- business rates;
- Social Fund payments and Local Welfare Assistance;
- Right to Buy discounts;
- Local Council Tax support;
- schools; and
- grants.

Fraud & Corruption Survey 2011/12

The November 2012 'Protecting the Public Purse' publication included data gathered from local authorities in 2011/12.

Walsall Council completed the survey on line by the due date following receipt of the required information from relevant officers.

For the purpose of the survey, the Audit Commission define fraud as 'an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken including, disciplinary action, civil action or criminal prosecution'.

The following was submitted detailing Walsall Council's data for the financial year ended 31 March 2012:

- 192 housing and council tax benefit fraud cases identified totalling £840,723.
- 1 case of payroll and employee contract fulfilment fraud totalling £198.
- No cases of abuse of position for financial gain.
- No cases of recruitment fraud.
- In 25 cases the fraud value amounted to over £10,000.
- 63 people were prosecuted for housing and council tax benefit fraud, none of which were employees.
- 52 housing and council tax benefit prosecutions resulted in a guilty outcome, none of which were employees.
- There were 2 general fraud prosecutions both with guilty outcomes 1 of which was an employee.
- There were 2 whistle blowing disclosures made during the period.

The Audit Commission's 'Protecting the Public Purse' November 2012 publication made a series of recommendations to local government bodies. These include:

- completion of the 'protecting the public purse' checklist for those charged with governance;
- review their counter fraud strategies in the context of 'fighting fraud locally' the first national strategy for local government fraud, produced by the National Fraud Authority (NFA);
- apply the NFA's good practice guidance and tools to match the success of the best in sector in tackling fraud;
- actively pursue potential frauds identified through their participation in the National Fraud Initiative;
- use the tool produced by the London Public Sector Counter Fraud Partnership to help prevent and detect procurement fraud;
- maintain robust staff recruitment and internal controls to guard against internal fraud;
- remain vigilant to mandate fraud (formerly known as change of bank details fraud).

Anti Fraud & Corruption Arrangements:

Internal audit have been working towards developing anti fraud and corruption arrangements within the council. As part of this work, the first 'Fraud Spotlight', the council's anti fraud and corruption newsletter, was issued to staff in November 2012 – see **Appendix 1**.

Internal audit are also currently customising a counter fraud, bribery and corruption e-learning package, based on a National Fraud Authority e-learning tool, which includes an online assessment for staff and managers to complete. This is due to be rolled out in the new financial year.

A report on future anti fraud and corruption developments, including the impact of the Audit Commission's 'Protecting the Public Purse' recommendations, will be brought to a subsequent meeting of the Audit Committee.

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Fraud Spotlight

Walsall Council's Anti Fraud & Corruption Newsletter

Issue 1
November 2012

Welcome to the first edition of Walsall Council's anti fraud & corruption newsletter produced by Internal Audit. It is aimed at making you more aware of what fraud is and what to do if you suspect it.

Walsall Council Anti Fraud & Corruption Policy Statement:

'Walsall Council acknowledges its responsibilities for the proper administration of public funds and wishes to emphasise to both the public and its employees the importance it places on probity, financial control and honest administration. The council's arrangements for the prevention and detection of fraud and corruption will continue to be kept under constant review and suspected irregularities will be vigorously pursued and all appropriate action taken'.

Fraud Act 2006:

Fraud is defined within the Fraud Act 2006 as a breach of the following:

- Fraud by false representation (*where a defendant has made a false representation, dishonestly, knowing that the representation was or might be untrue or misleading, with intent to make a gain for themselves or another, to cause loss to another or to expose another to risk of loss*).
- Fraud by failing to disclose information (*where the defendant has failed to disclose information to another person, when they were under a legal duty to disclose that information, dishonestly intending, by that failure, to make a gain or cause a loss*).
- Fraud by abuse of position (*where the defendant occupies a position in which they were expected to safeguard, or not to act against, the financial interests of another person, abused that position, dishonestly, intending to make a gain / cause a loss*).

The act provides that a person found guilty of fraud is liable to a fine or imprisonment for up to 12 months on summary conviction (magistrates court) or a fine or imprisonment for up to 10 years on summary indictment (crown court).





Here are some examples...

- Theft / personal use of council money
- Manipulation of cheques / bank account details
- Deliberate non compliance with recruitment procedures
- Council officers giving undue favour to organisations / individuals with which they have a personal interest
- Over inflated or false / duplicate invoices from contractors / suppliers
- False benefit claims from employees
- Excessive car mileage
- Timesheet / ATAR anomalies
- Employees working privately while claiming to be sick
- Inappropriate / personal use of IT (email & internet), telephones, vehicles equipment and stocks.

So what can we do to prevent it?

- Ensure that everyone is clear on their job responsibilities, delegations and the council's rules
- Ensure adequate separation of duties is in place, for example, systems are designed to ensure that there is more than one person involved in transacting key financial processes
- Ensure 'paperwork' is in place to support transactions / important decisions
- Written agreements are in place when working with other organisations
- Ensure compliance with contract rules and European procurement regulations
- Ensure access to computer and other data is controlled and amendments are recorded
- Financial documents are complete and up to date
- It is clear what equipment / stocks have been bought and where they are

How to Raise your Concerns:

The guidance below should help you if you suspect fraudulent activity:

Confidential Reporting Policy (Whistle Blowing):

The purpose of this policy is to make it possible for anyone who works for the council, including temporary and agency staff, and those providing goods and services to the council, who have serious concerns, to come forward and voice any concerns they may have. Or alternatively you can complete the online fraud notification form via the link below:





http://inside.walsall.gov.uk/index/service_information/internal_audit/whistle_blowing.htm

Do's and Don'ts when Fraud is Suspected:

DO	DON'T
Make an immediate note of your concern	Do nothing or be afraid to raise your concerns
Secure suspicious documents	Approach or accuse individuals directly
Convey suspicions to someone with appropriate authority	Try to investigate the matter yourself
Deal with the matter promptly	Talk about your suspicions to anyone else

Raising Fraud Awareness:

Anti Fraud & Corruption Policy & Strategy:

The purpose of this strategy is to make clear to members, employees, stakeholders and the general public, the council's approach to fraud and corruption in the administration of its affairs. You can read the full strategy by accessing the intranet:

http://inside.walsall.gov.uk/anti_fraud_corruption_policy_strategy.pdf

Anti Fraud Toolkit:

Most frauds are opportunist and therefore risks should be closely managed to minimise the opportunities. This toolkit aims to provide help on how staff can be protected if things go wrong, and prevent errors from happening in the first place. You can read the full toolkit by accessing the intranet:

http://inside.walsall.gov.uk/index/service_information/internal_audit/audit_anti_fraud_toolkit.htm

Code of Conduct for Employees:

This council, like most other organisations, has a code of conduct which all employees are expected to follow throughout every aspect of their work. You can read the code at the following link:

http://inside.walsall.gov.uk/employees_code_of_conduct.pdf

National Fraud Initiative:

Since 1996 the Audit Commission has run the National Fraud Initiative (NFI), an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. This includes police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.



Walsall Council



NFI 2010/11 helped trace almost £229 million in fraud, error and overpayments in England. Since the initiative's start in 1996, the programme has helped identify £939 million in fraud or error and the initiative has attracted international recognition.

Finally, here are some personal tips:

- Do not give personal information to organisations or people before verifying their credentials
- Do not trust emails from banks and financial institutions that ask you to click on a link and confirm your bank details
- Always shield your PIN with your hand and stand close when entering it in at the cash point
- Destroy and preferably shred, receipts with your card details on / post with your name and address on
- Make sure your computer has up to date anti-virus software and a firewall installed
- Do not publicise on social networking sites when you are going on holiday

Internal Audit Contacts:

If you have any fraud concerns or require advice on any of the issues raised in this edition please contact:

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